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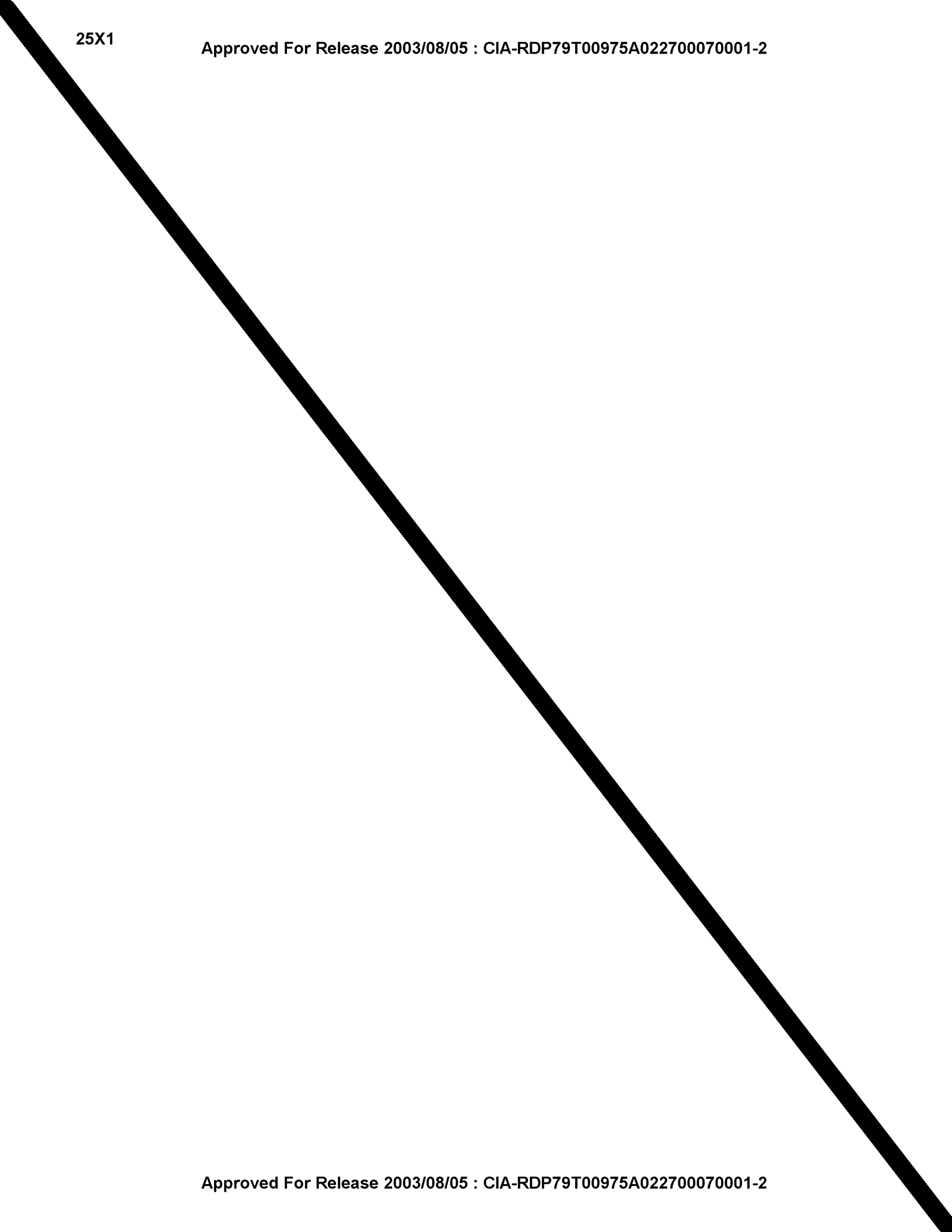

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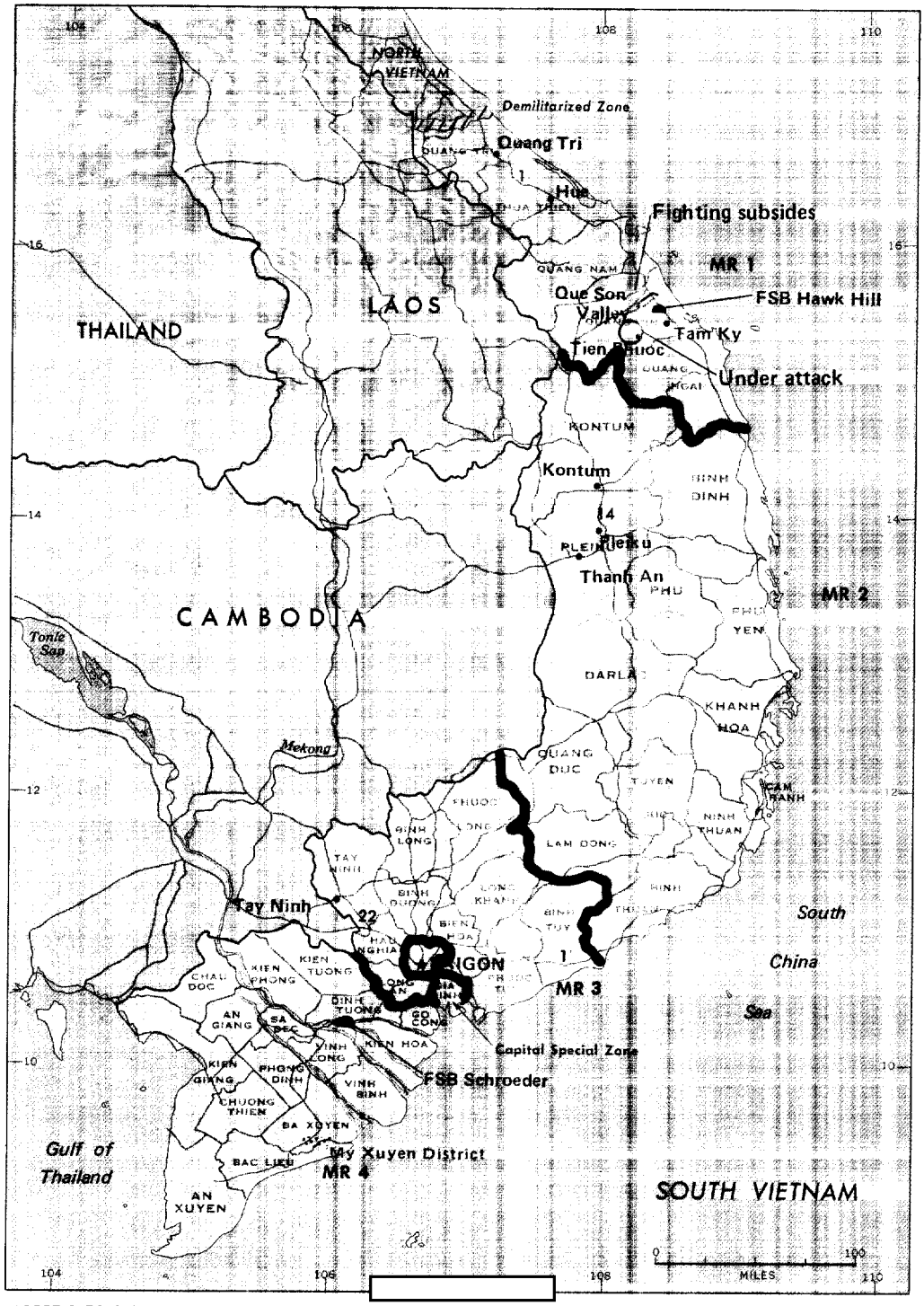

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SOUTH VIETNAM: Heavy fighting continues in Quang Tin Province.

Units from the enemy's 711th Division have shifted the focus of their attacks from the Que Son Valley to central Quang Tin Province. Communist troops have captured the key government defensive point north of the district capital of Tien Phuoc and early on 7 September occupied the airstrip and the government's headquarters in the town. The Communists have been using tanks to support their infantry attacks, the first use of such weapons this far south in Military Region (MR) 1. Government attempts to send in reinforcements from the 2nd Division were repulsed with heavy losses in one attempt to helilift troops into the area, but were successful later on the eastern side of town. The province capital of Tam Ky City also came under attack. Twelve 122-mm. rounds were fired into the town early on 7 September after Fire Support Base Hawk Hill northwest of the city had been captured.

In the western highlands of MR 2, fighting picked up northwest of Kontum City where elements of the B-3 Front's 28th Regiment continued attacking government forces in the area. In Pleiku Province, scattered fighting was reported in the Thanh An area, and Route 14 between Pleiku and Kontum cities is closed.

In MR 3, [redacted] action may soon pick up in Tay Ninh Province, which has escaped heavy fighting during the current offensive. [redacted] local force units supported by elements from the enemy's 9th Division would conduct attacks in the eastern and southeastern sections of the province during September. Routes 1 and 22 reportedly are to be interdicted.

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In the delta, Communist units launched heavy attacks against Fire Support Base Schroeder in Dinh

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25X1 Tuong Province on 6 September but [redacted] 25X1
25X1 [redacted] the base is still in government hands. Action also picked up in Ba Xuyen Province where Viet Cong units shelled and attacked outposts and police stations in My Xuyen District. Enemy prisoners captured in Chau Doc Province stated that they were members of the 101D Regiment of the Phuoc Long Front and that the regiment had begun to move into the
25X1 delta, [redacted] The prisoners claimed that the units were carrying large amounts of ammunition and supplies. [redacted] 25X1
25X1 [redacted]

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ARAB STATES: Jordan's King Husayn has expressed the sole official condemnation from the Arab world of the terrorists' acts in Munich.

While other Arab leaders remained silent, Husayn in harsh terms denounced the killing of the Israeli hostages as the work of "sick minds" and expressed condolences to the families of the victims. Most other Arab commentary, both from official sources and the media, avoided outright condemnation of the guerrilla tactics and some Egyptian and Iraqi editorials praised the "heroism" of the Black September organization.

An official Egyptian spokesman, after disclaiming any involvement with the commando attack, placed the onus for the loss of life on the West German Government and asserted that German officials had badly handled the situation. The Egyptians have reacted with considerable sensitivity to West German charges that Cairo did not fully respond to Bonn's appeals for cooperation during the Munich incident. The Egyptian Government has summoned the German ambassador for clarification of Bonn's position and announced it would take "a firm decision" following the consultations.

A dominant theme in Arab reaction is the insistence on placing the deaths of Israelis at the Olympic Games in the context of Israel's "criminal" occupation of the Palestinian homeland. The Lebanese Government's statement, while expressing "deep regret," interpreted the tragedy as an outgrowth of the Palestinians' despair and their wish to prod the international community to redress their grievances.

The grim outcome of the Munich events severely shocked Saudi leaders who [redacted] 25X1
25X1 [redacted] allowed scant coverage in the local media of news deemed repellent to Saudi sensibilities. Meanwhile, Libyan "citizens," in a presumably officially inspired gesture of support for the fedayeen, have offered to transport the bodies of the slain guerrillas to Libya for burial. [redacted] 25X1

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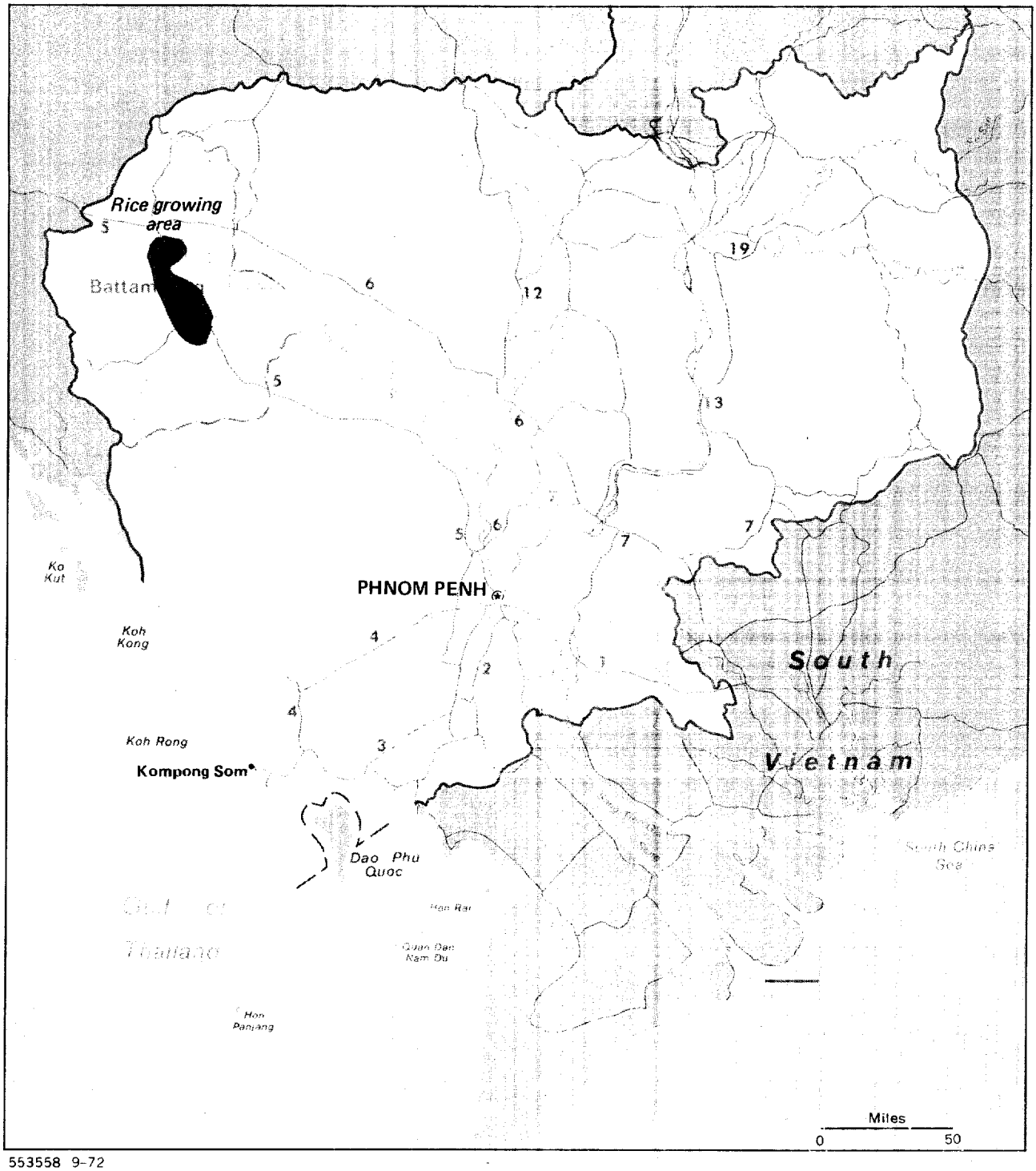

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CAMBODIA: The rice situation has reached critical proportions.

Domestic rice stocks, which are particularly low in Phnom Penh, will not last until the harvest late this year. Cambodia will have to secure an additional 20,000 tons, either through future purchase or humanitarian aid, prior to the harvest.

Public awareness of the situation has touched off a wave of heavy buying. The price of preferred grades has shot up 40 percent since last week to the highest level since the war began. Some hoarding has taken place and looting of some warehouses and Chinese-owned stores in Phnom Penh has been reported.

The government has attempted to alleviate the situation by taking over distribution of a portion of privately held stocks and is selling less preferred grades at controlled prices. The first delivery of part of a recent 10,000-ton purchase of Thai rice is scheduled to arrive next week and should further ease the pressure.

If Route 5 is not reopened in the near future to permit rice from Battambang Province to reach Phnom Penh, the requirement for additional rice imports could increase. Thus far, the Cambodian Army has not made a serious effort to reopen the highway, and its plans to do so have encountered repeated delays. The availability of rice is a sensitive political issue, and high prices and sustained shortages undoubtedly will result in a further loss of popular support for the Lon Nol government. [redacted] 25X1

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UGANDA: President Amin's charge that Britain, Israel, and "other Western countries" are planning to assassinate him could aggravate the deteriorating security situation.

Amin, claiming he fears a British invasion, directed the army and civilians to keep close watch on the approximately 7,000 British nationals in Uganda. He ordered that all "subversive" activities be reported to him, but that security forces "should not wait" for his orders. Amin added that Europeans would make "good targets" for his troops.

Amin's remarks could encourage unruly army troops who control the borders and other strategic points to indulge in more brutality. The army already has roughed up several Americans, including a diplomat and his family, and other Westerners. The Kampala government, moreover, has failed to give assurances that it accepts responsibility for the lives and property of the approximately 600 US citizens in Uganda.

The President may be attempting to take the spotlight off his considerable domestic woes, including a serious crime wave, rising prices, unemployment, and a deteriorating economy. The economic situation has been made worse by the departure of Asian technical and managerial skills and by the UK's recent suspension of negotiation on a $24.5-million loan. Moreover, there is no sign that other countries, including Amin's new-found Arab friends, are willing to provide more than small amounts of assistance.

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CHINA-THAILAND: The Chinese have held high-level talks in Peking with special Thai emissary Prasit Kanchanawat.

Prasit met separately with Chou En-lai and vice ministers of foreign affairs and foreign trade during the last few days. The talks almost certainly dealt with the principal issues in dispute between the two countries--Chinese support for Thai insurgents, the Chinese road in northern Laos, Thailand's relations with Taiwan and Bangkok's role in the Indochina war--as well as less sticky questions such as the possibility of trade ties and cultural contacts.

Peking's handling of Prasit's visit seems a sure sign that the Chinese are serious about exploring ways of improving relations. Prasit was in Peking ostensibly as an adviser to the Thai table tennis team, but his treatment by the Chinese--particularly his meeting with Chou--exceeded the requirements of protocol and went far beyond the reception given any of the other Asian delegations now in Peking for a table tennis tournament. Moreover, China's news agency has identified Prasit with his official government title, thus underscoring the official nature of the talks. [redacted] 25X1

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MALAYSIA: The announced coalition between the ruling inter-racial Alliance Party and the chauvinistic Malay Partai Islam moves the country further toward a Malay-dominated state.

The United Malays National Organization, the Malay segment of the Alliance, already dominates decision-making within the government. The coalition with Partai Islam will give Malays a working majority in parliament and move the Chinese and Indian parties even further into the political shadows. Although several non-Malay opposition parties made a strong showing in the 1969 elections, most of them subsequently disintegrated or joined local Alliance coalitions.

Under Prime Minister Razak, the Malays have become increasingly assertive and have used their growing political power to try to reshape Malaysia in their favor, especially in the economic field where Chinese and Indians predominate. The government has given Malays special consideration over the Chinese and Indians in the civil service, military promotions, and educational opportunities.

The trend toward a state based on Malay political power is of particular significance because of the country's small but growing Communist insurgency, which is composed mainly of Chinese. If Malaysia's Chinese believe that they are losing their stake in the future of the country, many, especially among the younger generation, may in the future find the insurgency more appealing. [redacted] 25X1

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NOTES

ISRAEL-LEBANON: Israel has apparently resumed military patrols inside Lebanon in the wake of a clash between fedayeen and Israeli troops on Wednesday night in which one Arab and one Israeli soldier were killed. The alacrity with which the Israelis followed up such a seemingly minor border incident presumably reflects the heightened Israeli sensitivity following the Munich attack. Retaliation for Munich, however, would be more extensive; it probably would involve both Lebanon and Syria and might require considerable planning and preparation.

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SOUTH KOREA - JAPAN: Tokyo will provide $170 million in credits to Seoul to finance purchases in Japan supporting agricultural and industrial development and to help the Korean balance-of-payments position. The aid commitment, agreed to at recently concluded ministerial meetings, is part of a more than $2-billion Japanese aid package Seoul is seeking to carry out its current economic plan. Seoul wants increased official aid because its past reliance on private foreign borrowing has produced a heavy foreign debt obligation that has become a constraint on continued economic growth. Tokyo has tried to reduce its mounting foreign reserves by expanding its aid program. In addition, the Japanese Government sees increased assistance as a way to mollify Seoul as Japan moves to improve relations with Pyongyang. [redacted] 25X1

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